



CITY COUNCIL

JAN SUMRALL
DISTRICT NO. 1

ROSE RODRIGUEZ
DISTRICT NO. 2

LARRY M. MEDINA
DISTRICT NO. 3

JOHN COOK
DISTRICT NO. 4

DANIEL S. POWER
DISTRICT NO. 5

PAUL J. ESCOBAR
DISTRICT NO. 6

LUIS G. SARIÑANA
DISTRICT NO. 7

ANTHONY COBOS
DISTRICT NO. 8

SPECIAL CITY COUNCIL MEETING
COUNCIL CHAMBERS
AUGUST 29, 2001
2:00 P.M.

The City Council met in regular session at the above place and date. Mayor Raymond C. Caballero present and presiding and the following Council Members answered roll call: Jan Sumrall, Rose Rodriguez, Larry M. Medina, John F. Cook, Daniel S. Power, Paul J. Escobar and Anthony Cobos. Absent: Council Members Paul Joseph Escobar and Luis G. Sariñana.

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AGENDA

Discussion and action on the Economic Development Department's Tax Abatement Policy and other incentives.

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Mr. Roberto E. Franco, Director Department of Economic Development, and Adrian Ocegueda, Economic Program Analyst from the Department, gave a presentation. Handouts on what the presentation entailed are on file with the minutes in the City Clerk's office.

Mr. Franco explained that prior to 1991 there was no tax abatement program and guidelines. Forty-one (41) abatements have been signed as follows: 26 manufacturing, 7 customer service, 3 retail, 3 medical, 1 headquarters, and 1 other. The status on abatements is 8 expired/cancelled, 21 participating, and 12 will begin in 2002. There are 21 participating companies, 13 qualified companies. This has created 7,436 contracted jobs and 10,884 actual jobs. He proceeded to explain that in 1998, abatements on personal property were started in addition to real property.

Mr. Ocegueda explained that the target industries are medical related, international finance and trade, information technology, financial shared services and customer service centers, and corporate headquarters and regional headquarters.

Ms. Susannah Byrd, Executive Assistant to the Mayor, stated that, concerning wage requirements, we would like to ask companies to pay the minimum of the 75th percentile and then the community will hopefully follow. Also, they would like to require that the companies create at least 50 jobs and pay for the majority of the health benefits.

Representative Sumrall asked where this percentile comes from.

Ms. Byrd responded that the Texas Workforce Commission provides percentages annually for average wages which in this case is the 75th percentile.

Representative Cook asked how many abatements meet the criteria of the \$10 million capital investment from the ones that have been given in the past.

Mr. Franco responded that about 75% of the companies met the criteria.

Representative Power mentioned that there are many vacant warehouses and grocery stores in downtown. He then proceeded to ask if the issue has been addressed to encourage companies to move into existing buildings.

Mr. Franco responded that improvements and equipment in total will have to equal to the \$10 million dollar capital investment.

Ms. Byrd commented that they are reviewing the commercial and redevelopment guidelines which relate to existing buildings. She proceeded to comment that they also want to encourage local purchasing to ensure that the money that the new companies spend stays El Paso. She also explained that there will be an application fee and gave the example of Fort Worth, a city that is using it very effectively. The average cost on permitting fees for a \$10 million investment is approximately \$15,000.

Mr. Tom Thomas, El Paso Chamber of Commerce, requested that we don't charge the application fees (\$15,000) just to give them the incentive amount, because, if we do, the businesses will be discouraged.

Mr. Franco mentioned that they will work with the companies once they submit the application.

Mayor Caballero asked what was the point of assessing an application fee?

Mr. Franco responded that the only reason for collecting the application fee is so that they don't take our proposal and use it to shop around in other cities.

Mayor Caballero suggested that the \$15,000 in application fees needs to be assessed when you are getting ready to give them the amount because if you give them any indications, they can turn around and compare with other places and we lose control.

Representative Medina commented that \$15,000 in application fees for a \$10 million investment is nothing to a company when it comes to such a valuable investment and proceeded to state that he believes this is very negative.

Representative Power commented that he does not think it will be negative and actually it would be professional and businesslike.

Mr. Ocegueda explained that the redevelopment policy for downtown requires a \$3 million capital investment.

Representative Cook commented that there seems to be no incentive for people to fix their properties because then it goes up in value and the taxes are higher. Freezing the taxes would really be an encouragement.

Representative Cobos stated that he does not see people being able to invest \$3 million to rehabilitate those historical areas in downtown when most of them are locally owned.

Mr. Tim Fuller, Goodman Corporation, added that the \$3 million is for the Union Plaza area and that the average cost for tenant improvements is \$150 per square foot.

Representative Cobos stated that \$3 million is probably for individuals who want to bring business into downtown, but he is referring to individuals rehabilitating their residential properties.

Mr. Thomas confirmed that the \$3 million capital investment is for business.

Mayor Caballero stated that he has a problem with tax abatements because the City seems to be giving them away too easily without asking for anything in return from these companies.

Mr. Franco responded that the vast majority of the tax abatements were given out to the manufacturing companies.

Mayor Caballero stated that he has found out by asking several of those companies if they would have come in anyway even without the tax abatements. He then explained that there has to be some causal relation between them coming or not. We need to come up with a strategy and target something that the City wants and they were not thinking of doing and give them a special benefits package if they do what the City wants. In other words, we make them do what we want them to do where we want it.

Representative Cook stated that he does believe that there was a lot of competition from those companies that we offered those tax abatements to.

Representative Power commented that the Mayor does not mean to negate tax abatement but focus on what the City wants and needs.

Mr. Ruben Guerra, El Paso Chamber of Commerce, commented that he believes that every community needs to challenge themselves in order to succeed. Since the mid 50s, the Chamber has been the official recruiter of businesses. It should be noted that El Paso's entrepreneurial ranking has improved from 222 to 158 from 1997 to 2001. We still have plenty of unskilled individuals who cannot earn \$10/hr and the only way to get there is with a training program. We have to be able to provide well skilled trained employees in order for these companies to come in and pay \$10/hr. The tax training credit budgeted dollars are not being spent to train employees. It's vital that we find those incentives that will encourage companies to do venture in our city. He also commented that the City of Austin is getting twice as much in taxes than the City of El Paso is getting.

Mr. Thomas explained that he does not recall any company that was looking into El Paso and was not looking at any other community. Our incentive package is less than what other communities are giving them. He addressed the Mayor by stating that he does not understand where the Mayor comes up with no causal relationship when they are getting more incentives from other cities and even the states. There is a causal relationship and it is not only tax abatement but other things, for example, quality of life.

Representative Medina commented that to target industries is a wonderful area and that we might want to add environmentally clean high tech companies to the list. He then added that the Tax Training Credit can provide the jobs and the much needed education.

Mr. Franco explained that the companies that need the financing do not have strong financial statements to qualify to use the industrial revenue bonds.

Mr. Dee Margo commented that the cost of acquiring industrial revenue bonds is higher than acquiring traditional financing.

Mr. Thomas stated that there is no budget for the amount of the tax abatement. The City does not lose any money because they simply collect extra money from a company that selects El Paso, you are just forgiving any future taxes.

Mr. Hector Arellano stated that if we are going to pay \$10/hr., we need to provide benefits. He suggested that benefits do not come from the base rate but as an extra. People are being trained to learn English instead of being trained with a skill; work has its own language. We also need to do something about the temporary agencies and how companies are turning to them in order to avoid providing benefits.

Mayor Caballero agreed with Mr. Arellano's comments and added that if employees do not get health insurance, then the care comes from the tax payers' money.

Representative Cook recommended that we not limit the redevelopment to just downtown because we have more areas that need some serious help, such as Alameda, Dyer, etc.

Ms. Lisa Turner commented that to her a full time and a part time employee is the same. She also stated that there has to be some medium point when to require the venture companies to use local contractors because there is going to be at one point a company that will require something very specialized that El Paso will not have.

Mr. Franco responded that every case would be looked at separately.

Mr. Thomas suggested that we look at the high initial capital investment further because there are some companies that do not build expensive buildings but pay very high salaries, for example: high tech companies.

Mayor Caballero asked if there is any city that took tax abatements away.

Mr. Thomas responded that 87% of cities our size offer tax abatements, so in essence we do compete with other cities. Anything we can do to help companies with training is the #1 incentive.

Mr. Franco added that a lot of companies have been awarded training grants.

Ms. Virginia Price, a small business owner, stated that she would ask that the Council be really strategic about the tax payers dollars. She then proceeded to comment that she hopes that we would consider looking into the various educational institutions and see how we use them to train the labor force. Look into the Empowerment Zone and see what it has done.

No action was taken during this meeting.

Motion made by Representative Sumrall, seconded by Representative Cook and unanimously carried to adjourn this meeting at 4:27 p.m.

APPROVED AS TO CONTENT:

Carole Hunter

Carole Hunter, City Clerk

APPROVED AS TO FORM:

Rita Rodriguez

Rita Rodriguez, First Assistant City Attorney